

## AGENDA REQUEST AND SUMMARY

For: September 6, 2016 (Date of Board Meeting)  
9:00 a.m. (Time, if appointment scheduled with the Clerk)

Consent Calendar: Yes        No **X**  
Public Hearing: Yes **X** No       

1. **WORDING FOR AGENDA** (Including precise wording for required action, authorizing, etc. as it will appear on the Board Agenda, generally not to exceed 20 words).

Public hearing to consider adopting all budget actions contained in the Fiscal Year 2016/17 budget document, including: 1) personnel recommendations; 2) capital and information technology project lists; 3) the appropriation computation method and limit; 4) the Fiscal Year 2016/17 adopted Budget Resolution; and 5) cancellation of prior year general fund reserves in the amount of \$670,495.

2. FINANCING – ESTIMATED COUNTY COST: (Enter "none" if no cost) NA

3. FUNDS BUDGETED: Yes Acct. # or Fund : NA

4. REVIEW WITH: COUNTY ADMINISTRATIVE OFFICER -- YES X NO \_\_\_\_\_  
COUNTY COUNSEL -- YES X NO \_\_\_\_\_  
ADMINISTRATIVE ANALYST -- YES X NO \_\_\_\_\_  
OTHER DEPARTMENTS (LIST) All Department Heads

5. FOLLOWING OUTSIDE AGENCIES OR INDIVIDUALS TO BE NOTIFIED OF BOARD ACTION: (Minute Excerpt – Include complete mailing address and indicate number of copies to whom)

A. \_\_\_\_\_

B. \_\_\_\_\_

C. \_\_\_\_\_

6. NUMBER OF COPIES REQUIRED BY REQUESTING DEPARTMENT:  
One copy of Minutes

7. **COMMENTS** (i.e. has this item come before the Board previously and when?) \_\_\_\_\_

Requesting Department: CAO Submitted by: Craig Pedro

Approved by: Craig L. Pedro Date: September 1, 2016

(Department Head Signature)



## County Administrator's Office

**Craig L. Pedro**  
County Administrator

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September 2, 2016

TO: Board of Supervisors

FROM: Craig L. Pedro, County Administrator  
Tracie M. Riggs, Deputy County Administrator

SUBJECT: FY 2016/17 Adopted Budget

On June 21, 2016, your Board considered and approved the FY 2016/17 Recommended Budget. The construction of that Budget started in January and included the Board: 1) retreat with Department heads to discuss strategic priorities; 2) presentation of a plan to implement and support priority IT projects; 3) reviewing base-line and modified 5-Year Budget Forecasts; and 4) providing direction to staff on initial versions of the Recommended Budget in late May and early June.

The following chart illustrates the change between the FY 2015/16 Adopted Budget and the FY 2016/17 Recommended Budget:

	<b>Adopted FY 2015/16</b>	<b>Recommended FY 2016/17</b>	<b>Change</b>	
<b>General Fund</b>	\$ 61,445,800	\$ 65,995,684	\$4,549,884	7.4%
Governmental	\$150,240,941	\$144,892,643	(\$ 5,380,439)	( 3.6%)
Enterprise	\$ 7,412,652	\$ 7,072,846	(\$339,806)	( 4.6%)
Internal Service	\$ 17,523,753	\$ 17,785,810	\$262,057	1.5%
	\$175,177,346	\$169,751,299	(\$ 5,426,047)	( 3.1%)
<b>Permanent Employees</b>	632.6	632.1	0.50	( .1%)

The approximate \$4.5 million increase in the **General Fund** is primarily driven by funds allocated towards tree mortality and operating costs for the Juvenile Detention Facility. The \$5.4 million decrease amongst all **Governmental Funds** reflect significant reduction in the Road Fund (5 FTE's) and several large capital projects budgeted in FY 2015-16 (e.g. Law & Justice Infrastructure, Juvenile Detention Facility, etc...) not being matched with commensurate projects in FY 2016-17. The **Internal Service Funds** have experienced significant reductions in several of the funds, such as Liability and Unemployment, while

*...serving the Board of Supervisors, departments, and the community as good stewards of the County's fiscal and human resources through collaborative, professional and ethical leadership.*

the increase in Employee Group Insurance costs is significantly higher than last year (\$1,049,679 - with offsetting revenue).

A list of personnel actions approved by your Board in the Recommended Budget is provided below:

• Reorganization in Auditor-Controller Office	0 net
• Conversion of Env. Health Specialist from a grant funded position to a permanent position	0 net
• 3 month extension of 2 grant funded Building Inspector positions ( <i>Juv. Det. Fac. &amp; Rush Creek</i> )	0 net
• Conversion of 3 DPO IIs to Sr. DPOs	0 net
• Conversion Communications Supervisor to Lead Dispatcher	0 net
• Addition of Account Clerk in Treasurer's Office	0.5
• Addition of Office Assistant in Veterans Office	0.5
• Conversion of Airport Administrative Assistant	0.5
• Eliminate Road Superintendent - retirement	(1.0)
• Eliminate Sr. Road Workers – vacancy	(1.0)
• Eliminate Road Crew Lead Worker – retirement	(1.0)
• Eliminate Road Worker - retirement	(1.0)
• Eliminate Engineering Assistants - retirement	(2.0)
• Eliminate Road's Division GIS Analyst - retirement	(1.0)
	(5.5)

All of the new position changes outlined above were approved and recruitments authorized as part of the Recommended Budget adoption action.

## PREPARING THE ADOPTED BUDGET

Conversion of the FY 2016-17 Recommended Budget into an “Adopted Budget” proposal for Board consideration involved the following major factors: 1) recognizing changes between projected and actual beginning fund balances; 2) recognizing major changes to the County's primary revenues; 3) consideration of State and federal budget actions; 4) re-budgeting major portions of projects such as the Juvenile Detention Facility and Jail and Law and Justice infrastructure; and 5) addressing major budgeting objectives set forth by the Board in June and further direction provided on August 16.

### Fund Balance Changes

The changes in beginning fund balances can be viewed in Tab 2 – Attachment A. Overall, fund balances were \$5.3 million higher than originally projected. The largest variances were in the General, Social Services, Road Construction, County Capital and Ambulance Funds. General Revenues came in \$937,000 higher than estimated, accounting for the **General Fund's** significant increase. The **Human Services Agency** funds (Health, Social Services and Behavioral Health) ended the year better than anticipated (\$1.2 million) due to lower expenses and slightly higher revenues. The higher balances in the **Road**



**Construction** (\$454,000) and **County Capital Funds** (\$367,000) were the result of slight delays in the beginning of construction of various projects, many of which will be re-budgeted in FY 2016/17. Lastly, **Ambulance** experienced a much higher call volume for out of town transports resulting in a higher year-end fund balance (\$448,000).

#### Re-Budgeting Law & Justice Projects

The County Administrator worked closely with the Auditor-Controller in the re-budgeting of Law and Justice projects contained in the County Capital Budget. This will be an occurrence for the next several years for any of these large projects that transcend any one fiscal year. The major re-budget involves the Juvenile Detention Facility. A breakdown is provided below:

• Law & Justice (roadways and utilities)	\$ 2,554,692
• New Jail	2,298,802
• Juvenile Detention Facility	<u>6,651,188</u>
	\$ 11,504,682

#### Addressing Board Budget Objectives

In conjunction with approving the Recommended Budget, the Board gave staff some specific objectives to address in the budget package for consideration during the Final Budget Hearing. Options for addressing these objectives were discussed during the August 16 Board meeting and direction was given to staff. All such changes have been incorporated into this proposed Adopted Budget packet as summarized below:

- Ongoing Cost Additions
  - Visitors Bureau (*\$122,000 added back per TOT plan consensus*)\*
  - High Priority Positions
    - Code Compliance Officer
    - IT Manager
    - Building Inspector I/II
    - Juvenile Corrections Officers I/II (*2 FTE's*)
    - Assessor Sr. Cadastral GIS Tech. (*Promotion w/offsetting revenue and expense adjustments*)
    - Administrative Assistant (*Offset with revenue and expense adjustments*)
    - Associate Engineer (*Promotion with revenue offsets*)
    - Behavioral Health (*2 FTE's with revenue offsets*)
    - Social Services (*3 FTE's with revenue offsets*)

*\*Note: When approving the FY 2016-17 Recommended Budget, the Board of Supervisors directed staff to "pursue stakeholder meetings and consensus on any change in the TOT allocation policy related to the TCVB prior to the Final Budget Hearing." City, County and TCVB representatives met twice and reached consensus on a plan moving forward. The primary elements of the plan are as follows: 1) A new agreement amongst the City, County and TCVB will be drafted to incorporate all TOT dollars transferred to the TCVB; 2) the TCVB intends to implement a new "trial" marketing program in FY 2016-17 aimed at non-profit organizations using \$75,000 of its TOT allocation; and 3) the County has restored full funding to the TCVB in accordance with its existing TOT allocation policy.*

- One-Time Cost Additions
  - Paving Projects (\$125,000 from Gen. Fund plus expense adjustments in Road Construction will fund Parrott's Ferry & Yankee Hill)
  - Search & Rescue (\$8,000 - will also seek additional funding via grants)
  - U.S. Forest Service Grant (Offsetting revenue and expense)
  - Sheriff Dispatch-Aerial Update (Offsetting revenue and expense)
- General Fund Contingencies were increased from the \$579,718 originally contained in the Recommended Budget to \$1,221,026.

The above captures most of the major changes between the Recommended and Adopted Budget proposal. There have been other adjustments made to rebalance funds due to fund balance, revenue or expense changes.

### SUMMARY OF RESULTING ADOPTED BUDGET PROPOSAL

The chart below shows the changes between the FY 2016/17 Recommended Budget and FY 2016/17 Adopted Budget proposal:

	<b>Recommended FY 2016/17</b>	<b>Adopted FY 2016/17</b>	<b>Change</b>	
<b>General Fund</b>	\$ 65,995,684	\$ 69,229,699	\$ 3,234,015	4.9%
Governmental Funds	\$144,892,643	\$153,043,489	\$ 8,150,846	5.6%
Enterprise Funds	\$ 7,072,846	\$ 7,619,049	\$ 546,203	7.7%
Internal Service Funds	<u>\$ 17,785,810</u>	<u>\$ 18,108,519</u>	<u>\$ 322,709</u>	<u>1.8%</u>
<b>All Budgeted Funds</b>	\$169,751,299	\$178,771,057	\$ 9,019,758	5.3%
 <b>Permanent Employees</b>	 632.6	 645.6	 13.5	 2.1%

The major reasons for the \$9 million increase in the overall budget between the Recommended and Adopted proposal are: 1) increased contingencies due to higher year end fund balances; 2) Addition of U.S. Forest Service Grant Program; and 3) Re-budgeting a portion of Juvenile Detention Facility costs. These factors alone account for approximately \$8.7 million of the increase.

It is also important to show the proposed changes between fiscal years. Therefore, this next chart contrasts the difference between the FY 2015/16 Adopted Budget and the FY 2016/17 Adopted Budget proposal:

	<b>Adopted FY 2015/16</b>	<b>Adopted FY 2016/17</b>	<b>Change</b>	
<b>General Fund</b>	\$ 61,445,800	\$ 69,229,699	\$ 7,783,899	12.7%
Governmental Funds	\$150,240,941	\$153,043,489	\$ 2,802,489	1.9 %
Enterprise Funds	\$ 7,412,652	\$ 7,619,049	206,397	2.8%
Internal Service Funds	<u>\$ 17,523,753</u>	<u>\$ 18,108,519</u>	<u>\$ 584,766</u>	<u>3.3%</u>
<b>All Budgeted Funds</b>	\$175,177,346	\$178,771,057	\$ 3,593,711	2.1%
<b>Permanent Employees</b>	632.16	645.6	13.0	2.1%

### **BUDGET POLICY COMPLIANCE**

Below is a listing of the Board's adopted budget policies along with staff's evaluation of how well the Adopted Budget proposal complies with each policy. Based on this evaluation, the budget *fully complies* with 3 policies, *substantially complies* with 3, *partially complies* with 2 and *does not comply* with 2.

1. **Balance annual operating budgets without the use of one-time revenues.** *Does not Comply.* The General Fund's use of one-time revenues to supporting ongoing expenses is at 1.88% of the total budget. Last year, concern for the Human Services Agency was voiced due to their dependence upon fund balance. The Health Department and Department of Social Services each have placed a significant amount of their fund balance into contingencies.
2. **Dedicate unencumbered beginning fund balances to: 1) pay-off County debts; 2) increase cash flow reserves; 3) fund future liabilities; and 4) fund capital equipment, plant and infrastructure needs.** *Substantially Complies.* The Board has directed a significant amount of funds to capital projects such as the Juvenile Detention Facility project, Law and Justice Center infrastructure and roads.
3. **Non-earmarked General Fund Contingencies should be budgeted at 1% of the total operating budget for governmental funds.** *Substantially Complies.* 1% of combined governmental budgets would be \$1,530,435. 1% of pure operating budgets (combined governmental budgets less capital budgets) would be \$1,237,069. Total Governmental Fund Contingencies are \$5.3 million with General Fund contingencies at \$1,221,026.
4. **Establish General Reserves at 5% of Governmental Fund Budgets.** *Does Not Comply.* This policy was first established in December 2012. To be in full compliance, the County's General Reserve would need to be increased from its proposed level of \$1.6 million to approximately \$7.6 million. In this budget the Board has dedicated \$670,495 of the reserve to use as match for Tree Mortality. The commitment to Tree Mortality has the potential to completely deplete County reserves. This is why it is critical to pursue a Federal Proclamation, which would reduce the County's share of cost from 25% to 6.25%. The Board and staff will need to look for opportunities to replenish the General Reserve in the near future.



5. **Strive towards fully funding future liabilities.** *Partially Complies.* The Liability and Unemployment Internal Service Funds (ISFs) are budgeted to be in full compliance with their respective policies. The budget as it relates to Workers Compensation, Post-Retirement and Leave Liability ISFs is fully consistent with each respective policy but not yet in full compliance with funding targets. The Leave Liability is the ISF of most concern and urgency to build reserves given the quickening pace with which Baby Boomers are beginning to retire. Staff continues to look for opportunities to further bolster reserves in that ISF particularly. Internal Service Fund funding policies are restated below:

- Workers Compensation ISF – set annual department charges at an amount greater than the projected current expenses until cash reserves equal 70% Confidence Level of future liabilities as projected in the most recent fund actuarial report.
- Liability Insurance ISF – set annual department charges at a level sufficient to fully fund projected current expenses while maintaining a \$250,000 cash reserve.
- Unemployment Insurance ISF - set annual department charges at a level sufficient to fully fund projected current expenses while maintaining a \$100,000 cash reserve.
- Post-Retirement Medical Insurance ISF - set annual department charges at an amount greater than the projected current expenses until cash reserves fully fund future liabilities as projected in the most recent fund actuarial report.
- Leave Liability ISF – set annual department charges at an amount greater than the projected current expenses until cash reserves fully fund future liabilities as projected by the Auditor/Controller.

6. **Prioritize funding for public safety and road maintenance services.**

*Substantially Complies.* State and Federal funding for roads has continually declined across the state and nation for years now. This decline in funding has resulted in a decrease in the pavement condition index (PCI) in the County, State and Nation. The Board continues to allocate large portions of its discretionary, one-time capital dollars to road projects, but it is simply not enough. To further complicate the matter, commitments to the Law and Justice projects further constrains the Board's ability to infuse funding to road maintenance. Staying focused on the Board's "*Priority Based Budgeting System*" will constrain funding in other areas of the budget so as to maximize funding to public safety and roads in the future.

7. **Strive to provide funding to adequately maintain existing plant and infrastructure.** *Partially complies.* Staffing and capital to maintain County buildings and roads is inadequate. The funding gap for road, building and airport maintenance is particularly troubling. Strict adherence to Board policy to use one-time funds for one-time uses (e.g. equipment, plant and infrastructure) will help

address some of these needs in the future. It should be noted that money set-aside for projects at both airports is at its highest levels in many years.

8. **Maintain a comprehensive quarterly budget monitoring and reporting program.** *Complies.* Such a program was used in development of this budget and will be used for tracking its fiscal performance in the coming year.
9. **Continue an active long-term Capital Improvement Program which includes a section describing financing methods.** *Complies.* The Board adopted a comprehensive Capital Improvement Plan (CIP) on December 6, 2011. It is time to review and provide an update on the progress of the CIP. Staff will provide an update this fiscal year.
10. **Match specific State and Federal funding reductions with commensurate cuts in specific program expenses.** *Complies.*

## FUND OVERVIEWS

All funds are balanced. Summaries of all funds can be viewed on the State Controller Summary Reports under Tab 3 of this binder. Line-item budgets for each cost center within each fund (Governmental, Enterprise and Internal Service) can be viewed under Tabs 4, 5 and 6, respectively.

## PERSONNEL ACTIONS

A list of recommended personnel actions can be found on the FY 2016/17 Adopted Budget Personnel Changes spreadsheet and associated memorandum on new and revised position classifications (see Tab 2 - Attachment B). The requested changes call for a 15 FTE net increase in authorized staffing compared to the staffing level already established in the Recommended Budget. Also provided in Tab 2 - Attachment C is the Final Allocated Positions by Department Chart. The increase in staffing is summarized below:

- Addition of Code Compliance Investigator in CRA 1.0
- Addition of IT Manager 1.0
- Extension of Building Inspector in CRA 1.0
- Addition of Juvenile Corrections Officers 2.0 Net  
(add 3 JCO's eliminate 1.0 Fiscal Tech)
- Addition of Victim Witness Advocate 2.0
- Addition of Sr. Office Assistant in Victim Witness 1.0
- Reinstate GIS Analyst in Roads 1.0
- Addition of Admin. Assist. In CRA 1.0\*
- Addition of Transportation Officer in Behavioral Health 1.0
- Addition of BH Clinician I/II/III 1.0
- Addition of BH Program Supervisor 1.0
- Eliminate Psychiatrist in Behavioral Health (1.0)
- Conversion of Staff Services Analyst II to Staff Services Analyst III in Social Services 0 Net



• Addition of Office Assistant I/II in Social Services	1.0
• Addition of Social Worker III in Social Services	2.0
• Addition of Services Support Asst. in Social Services	2.0
• Addition of Social Worker Assistant in Social Services	1.0
• Eliminate Integrated Case Worker in Social Services	(1.0)
• Eliminate Sr. Office Assistant in Social Services	(2.0)
• Conversion of Sheriff Corporal to Jail Sergeant	0 Net
• Conversion of Cadastral GIS Technician to a Sr. Cadastral GIS Technician in Assessors	0 Net
• Conversion of Assistant Engineer to Associate Engineer in Roads	<u>0 Net</u> 15

**Note:** \*A GIS Analyst position in the Roads Division was eliminated during the Recommended Budget as the employee was going to retire and the position was not going to be filled. However, the employee decided not to retire, so this position has been added back into the budget. Additionally, a .50 FTE Family Therapist was added to the Juvenile Detention Facility but was not included in the Personnel Allocation Worksheet.

All of the positions above were discussed during the Recommended Budget with Board direction to bring them back for the Adopted Budget Hearing, except for the Jail Sergeant. The Sheriff's office is converting one Sheriff Corporal into of a Jail Sergeant.

## **INFORMATION TECHNOLOGY PROJECT LIST**

The Information Technology Steering Board (ITSB) schedule for FY 2016/17 reflects the "Primal Scream" needs as defined by departments during the Board retreat earlier this year. The recommended list can be found in Tab 2, Attachment D.

## **CAPITAL PROJECTS**

The revised capital projects lists for the County Capital, Road Construction and Airport Construction Funds can be found in Tab 2, Attachments E, F and G, respectively.

## **GENERAL FUND CONTINGENCIES**

All available on-going and one-time funding has been concentrated in the General Fund's Contingencies which currently stand at \$1,221,026. Staff would recommend that the Board establish the County's unobligated Contingencies at no less than \$1,000,000 with the remaining \$221,026 earmarked for bargaining needs.

## **USE OF ONE-TIME DOLLARS IN THE GENERAL FUND**

The proposed Adopted General Fund Budget contains two major sources of one-time funding:

Beginning Fund Balance	\$3,569,170
Cancellation of Prior Year Reserves	<u>670,495</u>
	\$4,239,665

Uses of the beginning fund balance are as follows:

Pure Contingencies	\$1,000,000	
Transfer to County Capital	1,020,945	
Transfer to Road Construction	125,000	
Transfer to Airport Construction	122,749	
Tree Mortality	<u>670,495</u>	
		\$2,939,189
 Bargaining Set-Aside	 \$ 221,026	
Ongoing Operations	<u>1,079,450</u>	
		<u>\$1,300,476</u>
		\$4,239,665

## **BUDGET DECISION PACKAGES**

Staff is developing a list of unfunded department requests not currently included in the budget. As well as a list of potential revenue adjustments and expense reductions for Board consideration to address those requests.

## **RECOMMENDATION**

It is recommended that your Board conduct a public hearing to consider adoption of all budget actions contained in the FY 2016/17 budget document (*with modification as desired by the Board*), including:

1. All personnel recommendations as outlined in Tab 2 – Attachments B and C;
2. The revised IT and capital project lists contained in Tab 2 – Attachments D-G;
3. The appropriation limit computation method as presented by the Auditor-Controller prior to the Hearing in Tab 2 – Attachment H; and
4. The FY 2016-17 Adopted Budget Resolution as presented along with the appropriation limit computation in Tab 2 – Attachment I.
5. Cancellation prior year reserves in the amount of \$670,495.

*Please note that both the appropriation limit computation and budget resolution mentioned above will likely need to be changed based on Board direction given during the hearing. This will require a break during the meeting to allow the Auditor-Controller and CAO staff time to prepare revised documents for final action by your Board.*

Cc: County Department Heads  
CAO Staff  
Ann Fremd, HR/Risk Manager

**A copy of the full budget package (i.e. budget memo, attachments, controller reports and line-item details) can be viewed at the following link:**  
**<http://www.tuolumnecounty.ca.gov/budget>**